

## Message Text

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PAGE 01 ROME 03262 280415Z

71

ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 CAB-02 CIAE-00 COME-00

DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 L-03 XMB-02

OMB-01 TRSE-00 /045 W

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P 271819Z FEB 76

FM AMEMBASSY ROME

TO AMEMBASSY CAIRO PRIORITY

INFO SECSTATE WASHDC PRIORITY 6028

AMEMBASSY KUWAIT PRIORITY

AMEMBASSY ABU DHABI

AMEMBASSY DOHA

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY PARIS

AMEMBASSY BEIRUT

FAA BRUSSELS

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E.O. 11652: N/A

TAGS: EAIR, EG, ETRD, XF, BEXP, APER, AMGT

SUBJ: CIVIL AIR: CRITICISM OF EGYPTAIR PROCUREMENT PRACTICES

REF: (A) CAIRO 2532, (B) ROME 2881, (C) CAIRO 2179 (NOTAL)

DEPARTMENT PASS COMMERCE FOR COHEN, HALE, AND MYERS; EXIMBANK  
FOR TUTINO

1. RCAA RECORDS, WHICH INCLUDE RATHER COMPLETE DOSSIER ON  
FINANCING SCENARIO FOR EGYPTAIR'S FOUR MOST RECENT BOEING  
707-366C'S (OF AIRLINES FULL FLEET OF TEN), WERE SHIPPED  
FROM BEIRUT TO ATHENS DURING LEBANESE CRISIS AWAITING  
RESOLUTION PERMANENT RELOCATION SITE RCAA OFFICE AND ARE,  
THEREFORE, UNAVAILABLE TO RCAA. HOWEVER, FOLLOWING IS  
TO BEST OF RCAA RECOLLECTION.

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PAGE 02 ROME 03262 280415Z

2. EMBASSY CORRECT IN STATING ROGER TAMRAZ (AT THAT TIME RESIDENT MIDDLE EAST VICE PRESIDENT - KIDDER, PEABODY INC.) PLAYED THE DOMINANT ROLE IN THE FINANCING SCENARIO. TO COVER THE FINANCING FOR FOUR NEW BOEING 707-366C'S, WHICH WAS NOT AVAILABLE FROM EXPORT-IMPORT BANK DUE TO GOE LOANWORTHINESS PROBLEMS, KIDDER, PEABODY UNDERWROTE APPROXIMATELY \$42 MILLION (U.S.) OF EGYPTAIR EQUIPMENT DEBENTURES, WITH FLOATING EURODOLLAR INTEREST RATE, AND REPAYMENT BY THE AIRLINE (AFTER INITIAL TWO-YEAR MORATORIUM) OVER TEN-YEAR PERIOD. DEBENTURES WERE PUBLICLY OFFERED BY KIDDER, PEABODY AND VERY QUICKLY SUBSCRIBED TO IN LIBYA, THE GULF, KUWAIT, AND WESTERN EUROPE, RCAA UNDERSTOOD GOE OFFICIALS INVOLVED IN THE FINANCING PLAN WERE OFFERED THE OPTION OF A FIXED, RATHER THAN FLOATING, INTEREST RATE BUT DECLINED. FURTHER, TO COVER FLUCTUATIONS IN THE INTERNATIONAL EXCHANGE RATE ON THE U.S. DOLLAR, EGYPTAIR DEBENTURE HOLDERS RETAIN THE OPTION OF REPAYMENT IN SOME CURRENCY OTHER THAN THE U.S. DOLLAR, I.E. THE SWISS FRANC. IN RCAA VIEW, THE EGYPTAIR FINANCING SCENARIO ENGINEERED BY KIDDER, PEABODY WAS THE ONLY AVAILABLE AND SALEABLE SOLUTION, AT THAT POINT IN TIME, TO SOLVE THE AIRLINE'S PRESSING REEQUIPMENT REQUIREMENTS.

3. RCAA UNDERSTANDS ROGER TAMRAZ, PRESENTLY CHAIRMAN FIRST ARABIAN CORPORATION, HAS OFFERED TO UNDERWRITE A NEW, LARGER EGYPTAIR EQUIPMENT DEBENTURE ISSUE UNDER MORE ATTRACTIVE TERMS (TO REPLACE THE EXISTING \$42 MILLION ISSUE) ENCOMPASSING THE EIGHT NEW BOEING ADVANCED 737-266 TWINJETS (VALUED AT APPROXIMATELY \$68-\$72 MILLION) AND THE FOUR 707-366'S PRESENTLY COVERED. SINCE THE NEW TWINJETS WERE FREE GRANT-AID BY UAE/ABU DHABI TO GOE, THE NEW DEBENTURES WOULD, IF ACCEPTED, PUMP NEW CASH INTO THE AIRLINE TO COVER INFUSION OF WORKING CAPITAL, ACQUISITION OF SPARES AND TRAINING AIDS (E.E. SIMULATORS), AND TECHNICAL ASSISTANCE (I.E. BOEING).

4. AEROSPACE SOURCES ROME INDICATE PRESSURES TO TRIGGER RESIGNATION EGYPTAIR CHAIRMAN GAMAL ERFAN SEIF EL-NASR STEM NOT SO MUCH FROM PRESENT PARLIAMENTARY CRITICISM EGYPTAIR PROCUREMENT PRACTICES (ERFAN WAS NOT CHAIRMAN DURING 707-366C ACQUISITION PERIOD) AS THIS VERY VALID BUT LIMITED OFFICIAL USE

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PAGE 03 ROME 03262 280415Z

POLITICALLY SENSITIVE DECISION TO RETURN TO USSR THE FLEET OF SEVEN TUPOLEV TU-154 TRIJETS.

5. RCAA PREPARED VISIT CAIRO AS SOON AS CONVENIENT FOR EMBASSY AND ADEQUATE HOTEL SPACE AVAILABLE (SHERATON, MERIDIAN, OR HILTON).BEAUDRY

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## Message Attributes

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